

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

DOTE-00 INR-07 NSAE-00 FAA-00 FEA-01 ERDA-07 AID-05

CEA-01 CIEP-02 FPC-01 H-02 INT-05 L-02 NSC-05 OMB-01

PM-03 SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01

PA-02 USIA-15 PRS-01 /113 W
----- 114186

R 302129Z APR 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 6302

INFO AMCONSUL MONTREAL

UNCLAS OTTAWA 1612

E.O. 11652: N/A

TAGS: EAIR EWWT CA

SUBJECT: CANADIAN EXPORT TAX ON AVIATION AND BUNKER FUEL

ALL OTHER CONSULATES IN CANADA VIA POUCH FOR INFO

REF: OTTAWA 3671, NOV. 8, 1974

MONTREAL FOR US REP ICAO

1. DURING APRIL 17 DEBATE ON PETROLEUM ADMINISTRATION ACT (SEE REFTEL), ENERGY MINISTER MACDONALD PROPOSED AN AMENDMENT TO PART I (PETROLEUM EXPORT CHARGES), CLAUSE 4, WHICH WOULD SUBJECT BUNKER AND AIRCRAFT FUEL USED "BY SUCH PERSONS IN SUCH CIRCUMSTANCES AS MAY BE PRESCRIBED BY THE REGULATIONS" TO PETROLEUM PRODUCT EXPORT CHARGES. MACDONALD STATED THAT "THE PURPOSE OF THE AMENDMENT IS TO MAKE CERTAIN THAT AVIATION FUEL AND BUNKER FUEL FROM CANADIAN SOURCES ARE INCLUDED IN THE DEFINITION 'OIL PRODUCT'" FOREIGN AIRCRAFT LANDING IN CANADA WHICH UNTIL NOW HAVE BEEN ABLE TO OBTAIN FUEL AT LOWER PRICES THAN THOSE CURRENT IN THE UNITED STATES -- IN EFFECT THEY

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COME HERE, FILL UP WITH CANADIAN FUEL AND GO AWAY WITH A FULL

LOAD -- FROM NOW ON WILL BE OBLIGED TO PAY THE EXPORT TAX."
AMENDMENT WAS ACCEPTED WITHOUT DEBATE AND HOUSE PASSAGE
OF C-32 IS EXPECTED LATER THIS WEEK OR EARLY NEXT WEEK.

2. TORONTO GLOBE & MAIL APRIL 30 REPORTS IATA DIRECTOR
GENERAL HAMMARSKJOLD HAS PROTESTED GOC ACTION, CITING
ICAO POLICY, WHICH OPPOSES "IMPOSITION OF EXPORT TAXES ON
AVIATION FUEL PURCHASED FOR AN AIRCRAFT LANDING IN
ANOTHER COUNTRY". ARTICLE ALSO SAYS THAT AN IATA
SPOKESMAN SAID A SURVEY OF FUEL PRICES SHOWS THAT THE
COST IS ALREADY HIGHER IN CANADA THAN IN THE UNITED
STATES.

3. COMMENT: THERE ARE NUMBER OF COMPLEX QUESTIONS ON
THIS MATTER NOT REPEAT NOT YET SORTED OUT IN OTTAWA
REGARDING EVENTUAL APPLICATION OF THE EXPORT CHARGE.
LIKE CURRENT EXPORT CHARGES ON OTHER OIL PRODUCTS, THIS
PROPOSED CHARGE WOULD BE APPLIED ONLY TO BUNKER AND
AVIATION FUEL REFINED FROM CANADIAN DOMESTIC CRUDE,
WHICH, FOR ALL PRACTICAL PURPOSES, STILL EXCLUDES AREAS
EAST OF THE OTTAWA VALLEY LINE AND WOULD EXCLUDE BUNKER
AND AVIATION FUEL IMPORTED, FOR EXAMPLE, FROM THE U.S.
INTO VANCOUVER. THE AMENDMENT WILL ALSO REQUIRE
CERTAIN CHANGES IN THE NATIONAL ENERGY BOARD'S REGU-
LATIONS: ONLY PRODUCTS REQUIRING EXPORT LICENSES
(SUCH AS MOTOR GASOLINE AND MIDDLE DISTILLATES) ARE
SUBJECT TO EXPORT CHARGES AND AVIATION AND BUNKER FUELS
ARE NOT REPEAT NO CURRENTLY SUBJECT TO LICENSING
PROCEDURES. THERE IS ALSO THE FURTHER COMPLICATION OF
IDENTIFYING THOSE CANADIAN-SOURCED FUELS WHICH MAY BE
CO-MINGLED WITH IMPORTED PRODUCTS AT THE POINT OF
DELIVERY TO VESSELS AND AIRCRAFT.

4. DEPARTMENT MAY WISH TO CONSULT WITH U.S. CARRIERS
TO DETERMINE TO WHAT EXTENT THEY BELIEVE THEY MAY BE
AFFECTED BY THE CANADIAN ACTION AND WHAT OTHER IMPLI-
CATIONS THERE MAY BE FOR U.S. INTERESTS.
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